

UNIVERSITY OF ESWATINI
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION
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TITLE OF THE PAPER: STRATEGIC MANAGEMENT PROCESS 11
DEGREE : BACHELOR OF COMMERCE

COURSE : BUS 402, BA401 & BA 505 (IDE)

TIME ALLOWED : THREE (3 HOURS)

Instructions:

1. THIS PAPER CONSIST OF FOUR CASE STUDY QUESTIONS
2. ALL QUESTIONS ARE COMPULSORY
3. ANSWER ALL QUESTIONS AFTER READING CASE

Note: You are reminded that in assessing your work, account will be given of accuracy of language and the general quality of expression, together with layout and presentation of your final answer.

THIS PAPER MUST NOT BE OPENED UNTIL THE INVIGILATOR HAS GRANTED THE PERMISSION

Africa Rainbow dumps struggling EOH

Troubled technology company EOH suffered another losses yesterday after business magnate Patrick Motsepe's listed investment vehicle African Rainbow Capital (ARC) flagged that it will sell its stake in the company. ARC said that investment in EOG would be disposed of at an appropriate time. ARC spokesperson Ainsley Moos said the company's decision to offload its interest was not triggered by any of the current events that engulf the embattled technology and outsourcing company.

"We have communicated for at least the past year to our investors that our intention is to sell our shareholding, given the fact that we have invested in another business processes outsourcing company called GemCap which we own 100 percent: Moos said. No time frame of when we plan to dispose of shareholding in EOH has been communicated." The news however, saw EOH shares falling more than 4 percent on the JSE yesterday value the company at E2.82 billion. Last month, EOH declined 30 percent after multinational technology giant Micro soft cancelled two contracts it had with the group.

GemCap is an ARC subsidiary that make equity investments in private and public companies residence in South Africa. The company is run by former EOH executives such as Riaan Terblanche and John van Jaarsveld. Terblanche used to be EOH acquisitions specialist while Van Jaarsveld ran its business process outsourcing division.

Three years ago, EOH shares were valued at E170 each. However, the company has become one of the worst performers on the JSE, slashing 48.5 percent of its market cap in the year to date as it battled allegations of corruption and other underhanded dealings. In 2017 the company was associated with controversial businessperson Kate Keating, who has been accused of colluding with South African Police service and State Information Technology Agency (SITA) to channel millions to his company, Forensic Data Analyst (FDA), EOH bought FDA in 2015, but canned the transaction in 2017 where targets were missed. Media reports claimed that Micro soft terminated its contract with EOH after an anonymous whistle –blower alerted US authorities about the alleged malfeasance to do with a E 120 million contract with the South Africa Department of Defence.

Rudi Van der Merwe, portfolio manager at Advceworx, said there was a big question mark around EOH's growth trail. "The company has lost focus and started buying businesses which are not part of its competency or that did not align with its strategy. Allegations of collusion behaviour have also hurt the company as investors are weary after Steinhof and state capture revelations", Van der Merwe said. Further, he claimed that it would be very difficult for the group to see change in fortunes while it is tainted by corruption allegations. EOH shares yesterday closed 4.43 percent weaker on JSE at E15.95.

Lebashe investment, which last year invested E170 million of capital out of potential E1billion BEE transaction, said EOH's exposure to public sector is insignificant and the risks have greatly reduced. "we remain supportive of the new CEO; the new CFO; The new chairperson and the new head of treasury. We believe this changes will provide the necessary corporate governance and financial reporting framework to EOH stable of companies" , Lebashe said

Source: article by Independent Business report, 15th March 2019 by Kabelo Khumalo

Question 1

Using the McKinsey & Co Industry Attractiveness-Business Strength strategy discuss different strategies EOH could develop and recommend the strategy the business could select to regain its reputation **(25 marks)**.

Question 2

Using the balanced scorecard model explain to the new CEO, CFO, Chairperson and Head of Treasury how the critical success factors could be used to set strategic goals of EOH **(25marks)**.

Question 3

Since GemCap is an ARC subsidiary explain how the Igor Ansoff vector growth matrix could be used to develop the strategy of the venture and recommend a strategic choice the company can pursue. **(25 marks)**

Question 4

- a. Divisional structure is appropriate for GemCap, explain to the Riaan Terblanche and John van Jaarsveld the 4 advantages and 4 disadvantages of having this structure. **(15 marks)**.
- b. Discuss three activities of leadership and strategy, Riaan Terblanche and John van Jaarsveld can employ to growth the business **(10 marks)**.